

any "Insured" are safe or healthful or that they comply with laws, regulations, codes or standards.

#### **H. Legal Actions Against Us**

There will be no right of action against us under this insurance unless:

1. you have complied with all the terms of this policy; and
2. the amount you owe has been determined by settlement with our consent or by actual trial and final judgment;

This insurance does not give anyone the right to add us as a party in an action against you to determine your liability.

#### **I. Maintenance of Underlying Insurance**

During the period of this policy, you agree:

1. to keep the policies listed in the Schedule of Underlying Insurance in full force and effect;
2. that any renewals or replacements of the policies listed in the Schedule of Underlying Insurance will not be more restrictive in coverage;
3. that the limits of insurance of the policies listed in the Schedule of Underlying Insurance will be maintained except for any reduction or exhaustion of aggregate limits by payment of "claims" or "suits" for "occurrences" covered by "underlying insurance"; and
4. that the terms, conditions and endorsements of the policies listed in the Schedule of Underlying Insurance will not change during the period of this policy such as to increase the coverage afforded under this policy.

If you fail to comply with these requirements, we will only be liable to the same extent that we would have been had you fully complied with these requirements.

#### **J. Other Insurance**

If other insurance applies to a loss that is also covered by this policy, this policy will apply excess of the other insurance. Nothing herein will be construed to make this policy subject to the terms, conditions and limitations of such other insurance. However, this provision will not apply if the other insurance is specifically written to be excess of this policy.

#### **K. Premium**

The first Named Insured designated in Item 1. of the Declarations will be responsible for payment of all premiums when due.

The premium for this policy will be computed on the basis set forth in Item 3. of the Declarations. At the beginning of the policy period, you must pay us the Advance Premium shown in Item 3. of the Declarations.

When this policy expires or if it is canceled, we will compute the earned premium for the time this policy was in force. If this policy is subject to audit adjustment, the actual exposure basis will be used to compute the earned premium. If the earned premium is greater than the Advance Premium, you will promptly pay us the difference. If the earned premium is less than the Advance Premium, we will return the difference to you. But in any event we will retain the Minimum Premium as shown in Item 3. of the Declarations for each twelve months of our policy period.

**L. Separation of Insured**

Except with respect to our Limits of Insurance and any rights or duties specifically assigned to the first Named Insured designated in Item 1. of the Declarations, this insurance applies:

1. As if each Named Insured were the only Named Insured; and
2. Separately to each "Insured" against whom "claim" is made or "suit" brought.

**M. Transfer of Rights of Recovery Against Others to Us**

If any "Insured" has rights to recover all or part of any payment we have made under this policy, those rights are transferred to us. The "Insured" must do nothing after loss to impair those rights and must help us enforce them.

Any recoveries will be applied as follows:

1. any interests, including the "Insured," that have paid an amount in excess of our payment under this policy will be reimbursed first;
2. we then will be reimbursed up to the amount we have paid; and
3. lastly, any interests, including the "Insured," over which our insurance is excess, are entitled to claim the residue.

Expenses incurred in the exercise of rights of recovery will be apportioned between the interests, including the "Insured," in the ratio of their respective recoveries as finally settled.

**N. Terms Conformed to Statute**

The terms of this policy which are in conflict with the statutes of the state where this policy is issued are amended to conform to such statutes.

If we are prevented by law or statute from paying on behalf of an "Insured," then we will, where permitted by law or statute, indemnify the "Insured" for those sums in excess of the Self-Insured Retention.

**O. Transfer of Your Rights and Duties**

Your rights and duties under this policy may not be transferred without our written consent.

If you die or are legally declared bankrupt, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. However, notice of cancellation sent to the first Named Insured designated in Item 1 of the Declarations and mailed to the address shown in this policy will be sufficient notice to effect cancellation of this policy.

**P. When Loss is Payable**

Coverage under this policy will not apply unless and until any "Insured" or an "Insured's" underlying insurer is obligated to pay the Self-Insured Retention.

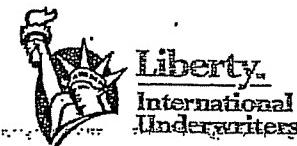
When the amount of loss has finally been determined, we will promptly pay on behalf of the "Insured" the amount of loss falling within the terms of this policy.

You will promptly reimburse us for any amount within the Self-Insured Retention advanced by us at our discretion on behalf of any "Insured."

In Witness Whereof, we have caused this policy to be executed and attested, but this policy will not be valid unless countersigned by one of our duly authorized representatives, where required by law.

Edmund F. Kelly  
President

Authorized Representative of  
Liberty Mutual Insurance Company



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

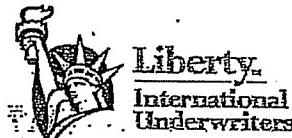
Named Insured: Blackwater Lodge & Training Center, Inc.  
Policy Number: LQ1 B71 200 233-014  
Effective Date: January 27, 2004

**UMBRELLA CARE, CUSTODY OR CONTROL EXCLUSION - REAL OR PERSONAL PROPERTY.**

The following exclusion is added to Section IV - EXCLUSIONS:

Any "property damage" to real or personal property in the care, custody or control of any "Insured," or loaned to any "Insured," or used, rented, or occupied by any "Insured," or as to which any "Insured" is for any purpose exercising physical control.

This endorsement does not change any other provision of the policy.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

Named Insured: Blackwater Lodge & Training Center, Inc.  
Policy Number: LO1B71200-253-014  
Effective Date: January 27, 2004

General Endorsement #1

Mold Exclusion

The following exclusions is added to Section IV - Exclusions:

- 1) Any and all "bodily injury", "property damage", "personal injury" or "advertising injury", including but not limited to settlements, judgments, costs, charges, expenses, costs of investigations, or the fees of attorneys, experts, or consultants arising out of or related in any way, either directly or indirectly, to; any actual, alleged or threatened inhalation, discharge, dispersal, seepage, migration, absorption, release, exposure, or escape of any mold, mildew or fungus in any form from any source, at any time; or
- 2) Any loss, cost, expense, liability or other type of obligation arising out of, resulting from or in any way related, directly or indirectly, to any claim, suit, investigation, or administrative proceeding brought by or on behalf of any person, entity, or government authority for damages or any other relief or remedy because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, neutralizing, or in any way responding to or assessing the effects of mold, mildew or fungus in any form from any source, at any time.

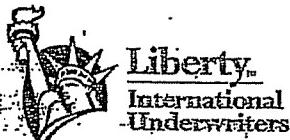
This endorsement does not change any other provision of the policy.

*Maicia Nolan*  
Authorized Representative of

Liberty Insurance Underwriters, Inc.

Date

*February 26, 2004*



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

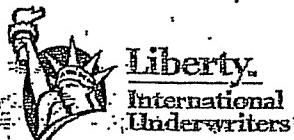
Named Insured: Blackwater Lodge & Training Center, Inc.  
Policy Number: LQ1 B71 200 233-014  
Effective Date: January 27, 2004

**UMBRELLA EXCLUSION - LIABILITY ARISING OUT OF LEAD**

The following exclusion is added to Section IV EXCLUSIONS:

1. any liability arising out of, resulting from, or in any way caused by or related to any actual, alleged or threatened ingestion, inhalation, absorption, or exposure to lead, in any form from any source; or
2. any loss, cost, expense, liability or other type of obligation arising out of or resulting from, or in any way related to, any:
  - a. claim, suit, request, demand, directive, or order by -or on behalf of any person, entity, or governmental authority that any "Insured" or others test for, monitor, clean up, remove, contain, treat, detoxify, neutralize, or in any way respond to or assess the effects of lead in any form from any source, or to any
  - b. claim or suit by or on behalf of any person, entity, or governmental authority for damages or any other relief or remedy because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, or neutralizing, or in any way responding to or assessing the effects of lead in any form.

This endorsement does not change any other provision of the policy.



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

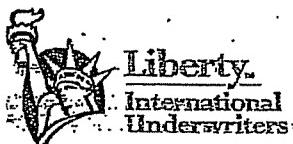
Named Insured: Blackwater Lodge & Training Center, Inc.  
Policy Number: LC1B71-200-233-014  
Effective Date: January 27, 2004

**PROFESSIONAL LIABILITY EXCLUSION - UMBRELLA**

The following exclusion is added to Section IV - EXCLUSIONS:

Any liability for, caused by, arising out of, or in connection with the rendering of or failure to render any professional service.

This endorsement does not change any other provision of the policy.



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

Named Insured: Blackwater Lodge & Training Center, Inc.

Policy Number: LQ1B71-200233-014

Effective Date: January 27, 2004

**General Endorsement #2**

**War/Terrorism Exclusion**

Section IV Exclusion M. is deleted in its entirety and replaced with the following exclusion:

This insurance does not apply to "bodily injury", "property damage", "personal injury" or "advertising injury" caused by, arising from or related in any way, directly or indirectly, to:

A) "War and Military Action" which includes without limitation the following:

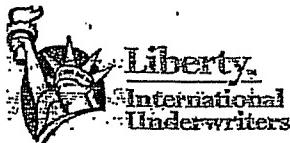
- 1) War, including undeclared or civil war;
- 2) Warlike action by military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; and
- 3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

B) Any actual or threatened act of domestic or international "terrorism" committed by a person or persons acting: 1) alone or on behalf of or in connection with any organization; and 2) with the goal of furthering any political, social, or religious objective.

This exclusion also applies to "bodily injury", "property damage", "personal injury" and "advertising injury" liability caused by action taken to prevent or defend against an act of "terrorism".

"Terrorism" means an act or acts:

- 1) that are violent in nature or are dangerous to human life:
  - a) that are a violation of the criminal laws of the United States or of any State or that would be a criminal violation if committed within the jurisdiction of the United States or any State; and
  - b) that have the apparent intent of:
    - i) intimidating or coercing any civilian population;
    - ii) influencing the policy of any government by intimidation or coercion; or
    - iii) affecting the conduct of any government by mass destruction, assassination, or kidnapping, or



- 2) that result in:
- a) the denial of access to or services from Web sites, computer networks, or telecommunications equipment; or
  - b) the malfunction or degradation of Web sites, computer networks, telecommunications equipment, or mechanical equipment, or that otherwise interrupt the functioning of Web sites or such properties, and that have the apparent intent of intimidating or coercing any civilian population or influencing the policy of any government by intimidation or coercion.

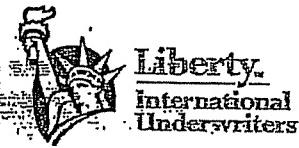
If an act of "terrorism" involves chemical or biological weapons, this "terrorism" exclusion will apply.

If an act of "terrorism" involves nuclear reaction, nuclear radiation, or radioactive contamination, this "terrorism" exclusion will apply to liabilities that result from such nuclear reaction or radiation or radioactive contamination in place of the Nuclear Hazard Exclusion.

This endorsement does not change any other provision of the policy.

Marcia Nolan  
Authorized Representative of  
Liberty Insurance Underwriters, Inc.

February 26, 2004  
Date



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

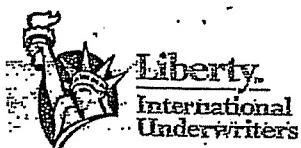
Named Insured: Blackwater Lodge & Training Center, Inc.  
Policy Number: LQ1-E71-200233-014  
Effective Date: January 27, 2004

**UMBRELLA CROSS SUITS EXCLUSION**

The following exclusion is added to Section IV - EXCLUSIONS:

Any liability of any "Insured" covered under this policy to any other "Insured" covered under this policy.

This endorsement does not change any other provision of the policy.



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

Named Insured: Blackwater Lodge & Training Center, Inc.  
Policy Number: LQ1-B71-200-233-014  
Effective Date: January 27, 2004

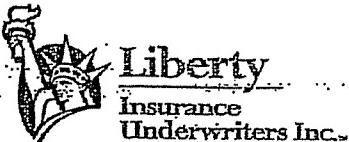
**UMBRELLA INTELLECTUAL PROPERTY EXCLUSION**

The following exclusion is added to Section IV - EXCLUSIONS:

Any liability arising out of or directly or indirectly related to the actual or alleged publication or utterance or oral or written statements which are claimed as an infringement, violation or defense of any of the following rights or laws:

1. copyright, other than infringement of copy righted advertising materials;
2. patent;
3. trade secrets;
4. trade dress; or
5. trade mark or service mark or certification mark or collective mark or trade name, other than trademarked or service marked titles or slogans.

This endorsement does not change any other provision of the policy.



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**UMBRELLA - AIRCRAFT PRODUCTS AND GROUNDING LIABILITY EXCLUSION**

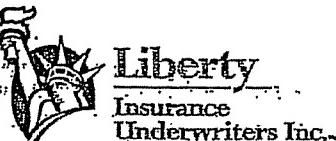
The following exclusion is added to Section IV – Exclusions:

Any liability arising out of "aircraft products" or reliance upon any representation or warranty made with respect thereto, or any liability arising out of the "grounding" of any aircraft (including missiles and spacecraft).

"Aircraft Products" means aircraft (including missiles or spacecraft) or any ground support or control equipment used therewith, any aircraft part and goods or products installed in or on aircraft or used in connection with aircraft manufactured, sold, handled or distributed or services provided or recommended by any "Insured" or by others trading under any "Insured's" name. "Aircraft Products" includes tooling used in the manufacture of "aircraft products" and also includes ground handling tools and equipment, training aids instructions, manuals, blueprints, engineering and other data engineering and other advice and services and labor relating to "aircraft products".

"Grounding" means the withdrawal of one or more aircraft (including missiles or spacecraft) from flight operations, or the imposition of speed, passenger or load restrictions on such aircraft, by reason of the actual, alleged, or suspected existence of any defect, fault, or condition in such aircraft or any part thereof (a) sold, handled or distributed by any "Insured", or (b) manufactured, assembled or processed by any other person or organization according to specifications, plans, suggestions, orders or drawings of any "Insured" or with tools, machinery or other equipment furnished to such persons or organizations by any "Insured", whether such aircraft so withdrawn or restricted is or are owned or operated by the same or other persons or organizations.

This endorsement does not change any other provision of the policy.



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**Silicosis Exclusion**

The following exclusion is added to Section IV—Exclusions.

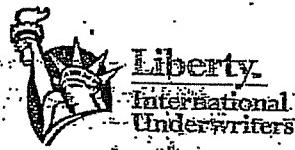
This insurance does not apply to:

- a) Any "bodily injury", "property damage", personal injury" or "advertising injury" arising out of, caused by or resulting from silicosis or any lung disease or ailment arising out of, caused by or aggravated by inhalation, consumption or absorption of dust.

All other terms and conditions of this policy remain unchanged.

Marcia Nolan  
Authorized Signature

February 26, 2004  
Date



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

Named Insured: Blackwater Lodge & Training Center, Inc.

Policy Number: LO1 EZ1 200 233-014

Effective Date: January 27, 2004

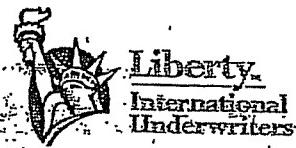
**UMBRELLA OCCUPATIONAL DISEASE EXCLUSION**

The following exclusion is added to Section IV - EXCLUSIONS:

"Any liability for or arising out of any "occupational disease" sustained by any employee of any "insured" or any "leased worker" or "temporary worker".

As used in the endorsement, "occupational disease" is any abnormal condition or disorder, other than one resulting from an occupational injury, caused by a repetitive exposure to environmental factors associated with employment. It includes acute and chronic illnesses or diseases which may be caused by inhalation, absorption, ingestion or direct contact.

This endorsement does not change any other provision of the policy...



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

Named Insured: Blackwater Lodge & Training Center, Inc.  
Policy Number: LQ1-B71 200 233-014  
Effective Date: January 27, 2004

**General Endorsement #3**

**Employers Liability - Following Form**

The following exclusion is added to Section IV - Exclusions:

Any liability imposed by law, or assumed by any "Insured" under an "insured contract", because of Employers Liability, except to the extent that such insurance is provided by a policy listed in the Schedule of "Underlying Insurance" and for no broader coverage than is provided by such coverage.

This endorsement does not change any other provision of the policy.

*Marcia Nolan*  
Authorized Representative of

Liberty Insurance Underwriters, Inc.

*February 26, 2004*  
Date



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

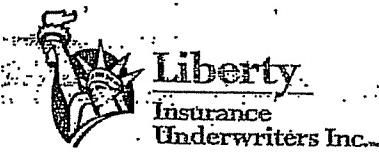
Named Insured: Blackwater Lodge & Training Center, Inc.  
Policy Number: LQ1 B71 200 233-014  
Effective Date: January 27, 2004

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**UNIMPAIRED AGGREGATE ENDORSEMENT: UMBRELLA**

The underlying aggregate limit(s) of all "underlying insurance," where applicable, shall be unimpaired at the beginning of the policy period of this policy shown in the Declarations and, for the purposes of this policy, only "occurrences" taking place during the policy period of this policy shall be considered in determining the extent of any exhaustion of such underlying aggregate limit(s).

This endorsement does not change any other provision of the policy.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NORTH CAROLINA AMENDATORY ENDORSEMENT

It is agreed that Section VI, Condition D., is amended by deleting paragraph 2. and inserting the following:

2. We may cancel this policy. If we cancel, we will mail or deliver to you written notice stating when the cancellation is to take effect. We will provide notice of cancellation at least:
  - a) ten (10) days before the effective date if cancellation is for nonpayment of premium and this policy has been in effect less than 60 days and is not a renewal;
  - b) fifteen (15) days before the effective date if cancellation is for nonpayment of premium and this policy has been in effect sixty (60) days or more, or if this policy is a renewal; or
  - c) thirty (30) days before the effective date and the policy is canceled for any other reason.

Mailing that notice to you at your mailing address shown in Item 1. of the Declarations will be sufficient to prove notice. The notice of cancellation will state the precise reason for the cancellation. Copies of the notice shall also be sent to the agent or broker of record. The effective date of cancellation stated in the notice shall become the end of the policy.

It is further agreed that Section VI, Condition D., is amended by adding the following:

9. If this policy has been in effect for more than sixty (60) days, or if this policy is a renewal, we may not cancel this policy except for one or more of the following reasons:
  - a) Nonpayment of a premium;
  - b) An act or omission by the Insured or the Insured's representative that constitutes a material misrepresentation or nondisclosure of a material fact in obtaining the policy, continuing the policy or presenting claim under the policy;
  - c) Increased hazard or material change in the risk assumed that could not have been reasonably contemplated by us at the time the policy was issued;
  - d) Substantial breach of contractual duties, conditions, or warranties that materially affects the insurability of the risk;
  - e) A fraudulent act against us by the Insured or the Insured's agent that materially affects the insurability of the risk;
  - f) Willful failure by Insured or the Insured's agent to institute reasonable loss control measures, that materially affects the insurability of the risk, after written notice by us;

- g) Loss of facultative reinsurance, or loss of or substantial changes in applicable reinsurance;
- h) The conviction of the Insured of a crime arising out of acts that materially affect the insurability of the risk; or
- i) A determination by the North Carolina Commissioner of Insurance that the continuation of the policy would place us in violation of the laws of the State of North Carolina.

#### **Nonrenewal**

10. If we choose not to renew the policy, notice of nonrenewal will be provided by us to the Named Insured by mail or delivered to the Named Insured, at the address last shown in the Declarations, or if not shown in the Declarations, at the Named Insured's last known address, at least forty-five (45) days in advance of the expiration of the policy if the policy has been written for a period of one (1) year or less or forty-five (45) days before the anniversary date of the policy if the policy was written for a period of more than one (1) year. Proof of mailing shall be sufficient proof of notice. The notice of intent not to renew shall state or be accompanied by a statement specifying the reasons for such nonrenewal.

#### **Conditional Renewal**

11. If we intend to condition renewal of the policy upon a decrease in limits of liability or an increase in the deductible or premium rates other than at the Named Insured's request, we shall deliver or mail written notice of such conditional renewal to the Named Insured, at the address shown in the Declarations or, if not shown in the Declarations, to the Named Insured's last known address. Notice of conditional renewal will be sent at least forty-five (45) days prior to the expiration date of the policy if the policy was written for a period of one (1) year or less or forty-five (45) days before the anniversary date if the policy was written for a period of more than one (1) year.
12. If we fail to comply with the forty-five (45) day notice requirements for conditional renewal, the Named Insured shall have the option of coverage under the policy being renewed at the same cost of that policy until forty-five (45) days have elapsed after we have provided the Named Insured with such notice.
13. Notices of nonrenewal or conditional renewal shall not be required where the Named Insured has obtained coverage elsewhere, has accepted replacement coverage, or has requested or agreed to nonrenewal. If we fail to provide notice of conditional renewal in the manner required above, the Named Insured may cancel the renewal policy within the thirty (30) day period following receipt of the renewal terms and statement of premium due. Earned premium for any continuation of the policy shall be calculated pro rata based upon the premium applicable to the expiring policy.

It is further agreed that Section VI., Condition E., is amended by deleting the first sentence therein.

It is further understood and agreed that in the event coverage is provided on a claims made basis the following shall apply:

A. The Named Insured may elect to purchase a one year extended reporting period for claims arising during the expiring policy period which will provide:

- (1) That in the event of a cancellation permitted by G.S. 58-41-15 or nonrenewal effective under G.S. 58-41-20, there shall be a 60-day period after the effective date of the cancellation or nonrenewal during which the Named Insured may elect to purchase coverage for the extended reporting period. In the event the Named Insured elects to purchase such extended reporting period, the premium is due within 60 days from the date of such election;
- (2) That the limit of liability in the policy aggregate for the extended reporting period shall be one hundred percent (100%) of the expiring policy aggregate that was in effect at the inception of the policy;
- (3) Within 45 days after the mailing or delivery of the written request of the Named Insured, the insurer shall mail or deliver the following loss information covering a three-year period:
  - (a) Aggregate information on total closed claims, including date and description of occurrence, and any paid losses;
  - (b) Aggregate information on total open claims, including date and description of occurrence; and amounts of any payments;
  - (c) Information on notice of any occurrence, including date and description of occurrence.

This endorsement does not change any other provision of the policy.



**LIBERTY INTERNATIONAL UNDERWRITERS**

150 S. Wacker Drive Suite 3000  
Chicago, IL 60606

**Statement of Premium Due**

**Producers Name and Address:**

Doris Barnett  
Heath Insurance Brokers of Illinois  
300 S. Wacker Drive, Suite 900  
Chicago, IL 60606

Insured: Blackwater Lodge & Training Center, Inc.  
Policy Number: LQ1-B71-200 233-014

Effective Date: January 27, 2004  
Transaction Type: New  
Premium: \$145,000  
Commission: 15.0%  
  
Total Amount Due: \$145,000  
Due Date: February 26, 2004

Please attach this statement to your remittance and return to the address below.  
Thank You.

Send Checks To: Liberty International Underwriters, Inc.  
Attention: Accounts Receivable  
Box 5188 - GPO  
New York, New York 10087

Wire Transfer: Chase Manhattan Bank  
1 Chase Plaza  
New York, NY 10031

Account Name: Liberty Insurance Underwriters Inc.  
Account Number: 041-003500  
ABA Number: 021000021